

SEC. 644. PHASED ELIMINATION OF TWO- TIER ANNUITY COMPUTATION FOR SURVIVING SPOUSES UNDER SURVIVOR BENEFIT PLAN.

(a) Phased Increase in Basic Annuity-

- (1) STANDARD ANNUITY-
 - (A) INCREASE TO 55 PERCENT- Clause (i) of subsection (a)(1)(B) of section 1451 of title 10, United States Code, is amended by striking `35 percent of the base amount.' and inserting `the product of the base amount and the percent applicable to the month, as follows:
 - `(I) For a month before October 2005, the applicable percent is 35 percent.
 - `(II) For months after September 2005 and before April 2006, the applicable percent is 40 percent.
 - `(III) For months after March 2006 and before April 2007, the applicable percent is 45 percent.
 - `(IV) For months after March 2007 and before April 2008, the applicable percent is 50 percent.
 - `(V) For months after March 2008, the applicable percent is 55 percent.'
 - (B) COORDINATION WITH SAVINGS PROVISION UNDER PRIOR LAW- Clause (ii) of such subsection is amended by striking `, at the time the beneficiary becomes entitled to the annuity,'.
- (2) RESERVE-COMPONENT ANNUITY- Subsection (a)(2)(B)(i)(I) of such section is amended by striking `35 percent' and inserting `the percent specified under subsection (a)(1)(B)(i) as being applicable for the month'.
- (3) SURVIVORS OF ELIGIBLE PERSONS DYING ON

ACTIVE DUTY, ETC-

- (A) INCREASE TO 55 PERCENT- Clause (i) of subsection (c)(1)(B) of such section is amended--
 - (i) by striking '35 percent' and inserting 'the applicable percent'; and
 - (ii) by adding at the end the following: 'The percent applicable for a month under the preceding sentence is the percent specified under subsection (a)(1)(B)(i) as being applicable for that month.'
- (B) COORDINATION WITH SAVINGS PROVISION UNDER PRIOR LAW- Clause (ii) of such subsection is amended by striking ', at the time the beneficiary becomes entitled to the annuity,'.
- (4) CLERICAL AMENDMENT- The heading for subsection (d)(2)(A) of such section is amended to read as follows: 'COMPUTATION OF ANNUITY- '.

(b) Corresponding Phased Elimination of Supplemental Annuity-

- (1) PHASED REDUCTION OF SUPPLEMENTAL ANNUITY- Section 1457(b) of title 10, United States Code, is amended--
 - (A) by striking '5, 10, 15, or 20 percent' and inserting 'the applicable percent'; and
 - (B) by inserting after the first sentence the following: 'The percent used for the computation shall be an even multiple of 5 percent and, whatever the percent specified in the election, may not exceed 20 percent for months before October 2005, 15 percent for months after September 2005 and before April 2006, 10 percent for months after March 2006 and before April 2007, and 5 percent for months after March 2007 and before April 2008.'
- (2) REPEAL UPON IMPLEMENTATION OF 55 PERCENT SBP ANNUITY- Effective on April 1, 2008, chapter 73 of such title is amended--
 - (A) by striking subchapter III; and
 - (B) by striking the item relating to subchapter III in the table of subchapters at the beginning of that chapter.

(c) Recomputation of Annuities-

- (1) PERIODIC RECOMPUTATION REQUIRED- Effective on the first day of each month specified in paragraph (2)--

- (A) each annuity under section 1450 of title 10, United States Code, that commenced before that month, is computed under a provision of section 1451 of that title amended by subsection (a), and is payable for that month shall be recomputed so as to be equal to the amount that would be in effect if the percent applicable for that month under that provision, as so amended, had been used for the initial computation of the annuity; and
 - (B) each supplemental survivor annuity under section 1457 of such title that commenced before that month and is payable for that month shall be recomputed so as to be equal to the amount that would be in effect if the percent applicable for that month under that section, as amended by this section, had been used for the initial computation of the supplemental survivor annuity.
- (2) TIME FOR RECOMPUTATION- The requirement under paragraph (1) for recomputation of certain annuities applies with respect to the following months:
 - (A) October 2005.
 - (B) April 2006.
 - (C) April 2007.
 - (D) April 2008.

(d) Termination of Retired Pay Reductions for Supplemental Survivor Annuities- (1) Except as provided in paragraph (2), there shall be no reduction in retired pay under section 1460 of title 10, United States Code, for any month beginning after the date of the enactment of this Act.

(2) Reductions in retired pay under section 1460 of title 10, United States Code, shall be made for months after September 2005 in the case of coverage under subchapter III of chapter 73 of title 10, United States Code, that is provided (for new coverage or increased coverage) through an election under the open season provided by section 645. The Secretary of Defense shall take such actions as are necessitated by the amendments made by subsection (b) and the requirements of subsection (c)(1)(B) to ensure that reductions in retired pay under section 1460 of title 10, United States Code, pursuant to the preceding sentence are adjusted to achieve the objectives set forth in subsection (b) of that section.